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STATE OF CALIFORNIA
NEW MOTOR VEHICLE BOARD
MINUTES

The New Motor Vehicle Board ("Board") held a Special meeting on April 21, 2004, at the Renaissance Esmeralda Resort, Crystal Ballroom G, H, & I, 44-400 Indian Wells Lane, Indian Wells, California.

2. **ROLL CALL**

Glenn E. Stevens, President of the Board, called the General meeting to order at 9:05 a.m.

Present:	Robert V. Branzuela	Tom Novi
	Robert T. (Tom) Flesh	Executive Director
	David C. Lizárraga	Howard Weinberg
	Haig Papaian	General Counsel
	Andy Robles	Robin Parker
	Sushil K. Sharma (arrived 11:00 a.m.)	Senior Staff Counsel
	Alan J. Skobin	
	Glenn E. Stevens	
	David W. Wilson	

3. **ROUNDTABLE DISCUSSION OF THE AUTOMOTIVE INDUSTRY IN GENERAL AND FACTORY SPECIFIC ISSUES OF INTEREST BY THE FOLLOWING VEHICLE, MOTORCYCLE, HEAVY DUTY TRUCK, AND RECREATIONAL VEHICLE MANUFACTURERS AND DISTRIBUTORS:**

- a. **AMERICAN HONDA MOTOR CO., INC.**
Frank Beniche, Senior Manager, Market Representation
Mike Lynch, Zone Manager, Western Zone
Richard Otera, Staff Attorney, Honda North America, Inc.
- b. **BMW OF NORTH AMERICA, INC.**
Stephen J. Saward, Center Development Manager
- c. **DAIMLERCHRYSLER CORPORATION**
David King, Senior Counsel – OGC
Charles T. Polce, Jr., Senior Manager, Dealer Network Development
- d. **FORD MOTOR COMPANY**
JAGUAR LAND ROVER
Carrie Catherine, Franchise Development Manager, Western Region
Craig Samara, National Franchise Development Manager

- e. FLEETWOOD ENTERPRISES, INC.
John Draheim, Vice President – Sales, Recreational Vehicle Group
Michael L. McCullough, Associate General Counsel
- f. GENERAL MOTORS CORPORATION
Joe Chrzanowski, Executive Director, Dealer Network Planning & Investments
Frank H. Dunne, Executive Director
William T. Nicholson, Executive Director
- g. HARLEY-DAVIDSON MOTOR COMPANY
Stephen Boettinger, Legal Counsel
William P. Evers, Director, Dealer Development
- h. INTERNATIONAL TRUCK AND ENGINE CORPORATION
Mike Jarrick, General Attorney
- i. KAWASAKI MOTORS CORP., U.S.A.
Donald J. Koprowski, Vice President, General Counsel & Secretary
- j. MAZDA MOTOR OF AMERICA, INC.
Robert Mercer, Vice President & General Counsel
- k. MERCEDES-BENZ U.S.A., LLC
Mark J. Derengowski, Regional Business & Franchise Development Manager
- l. NATIONAL RV, INC.
Brad Albrechtsen, President & CEO
Jonathan C. Corn, Vice President/General Counsel
- m. NISSAN NORTH AMERICA, INC.
Kevin Colton, Senior Counsel
- n. TOYOTA MOTOR SALES, USA, INC.
La Stanja Baker, State Government Affairs Manager
Nancy Davies, Vice President, Retail Market Development
Bob Dutton, Franchise Affairs Strategy Manager
Deborah Goldman, Managing Counsel
- o. VOLKSWAGEN OF AMERICA, INC.
Debra Kingsbury, Attorney
- p. VOLVO CARS OF NORTH AMERICA, LLC
Steve Atkins, Network Transformation Manager
- q. YAMAHA MOTOR CORPORATION, U.S.A.
Karen Adele Ward, Legal Counsel

- GOVERNMENT AND INDUSTRY AFFAIRS COMMITTEE.

Mr. Stevens welcomed and thanked everyone for their attendance. The meeting was turned over to Tom Flesh, Chair of the Government and Industry Affairs Committee. Mr.

Flesh welcomed the participants and attendees. He also noted the changes to the format based upon feedback from last year's roundtable. Those changes included the continental breakfast being set up in the meeting room and the luncheon buffet for those registering in advance and paying a registration fee was being held outside. In addition to passenger cars, motorcycles, and heavy-duty trucks, recreational vehicle manufacturers and distributors were also participating.

Mr. Flesh asked Robin Parker to discuss the statistics from the prior Roundtables. Ms. Parker indicated that the first Roundtable was a 2-hour event with five topics and eight passenger car manufacturers participating. They were approximately 35 people in attendance. In 2003, the event was increased to encompass motorcycles and heavy-duty trucks with a total of 12 manufacturers participating. It was a 6-hour event with four topics, two of which were introduced by guest speakers. Ms. Parker indicated that the Roundtable for 2004 included recreational vehicle manufacturers and 17 factories were in attendance. The format and number of topics remained unchanged. In total, there were over 50 people registered to attend.

Mr. Flesh asked Howard Weinberg to address the following matters in an effort to ensure a free and open dialogue and to educate the Board members concerning automotive industry topics of interest: (1) sensitive topics concerning pending litigation should be avoided as should discussions concerning pricing issues within the industry; (2) the Roundtable discussion is not being transcribed by a court reporter; minutes concerning topic discussion in general will be prepared in the ordinary course; and (3) that he would be available to address any legal questions the members may have or if the discussion transgresses into legally sensitive areas.

In addition to the above factory participants, the following individuals also participated in the Industry Roundtable:

- Joe Berberich, Esq., Partner, Manning, Leaver, Bruder & Berberich.
- Kaye E. Chaffee, Esq., Associate, Bryan Cave LLP.
- Tim Conley, Esq., General Counsel, Honda North America, Inc.
- Robert L. Ebe, Esq., Partner, Bingham McCutchen LLP.
- Neil C. Erickson, Esq., Partner, Jeffer, Mangels, Butler & Marmaro LLP.
- Dianne Farrell, Vice President Government Affairs, Recreation Vehicle Industry Association.
- Michael J. Flanagan, Esq., Law Offices of Michael J. Flanagan.
- Steve Finlay, Editor, Ward's Dealer Business Magazine.
- Charlie Gill, Executive Director, Greater Los Angeles New Car Dealers Association.
- Jerry L. Heuer, President, Southern California District, POWER an AutoNation Company
- Fritz Hitchcock, Chairman/CEO, Hitchcock Automotive Resources.
- Mark Iuppenlatz, Senior Vice President of Corporate Development, Sonic Automotive, Inc.
- Bruce L. Ishimatsu, Esq., Partner, Bryan Cave LLP.
- Sossi Keuylian, Marketing Director, Lamborghini Beverly Hills.
- Bill Lowrey, Partner, Auto Advisory Services.
- Monte Mehring, Director Dealer Operations, Freightliner LLC.
- Mike Michaelis, Esq., Auto Advisory Services.
- Kenneth J. Murphy, Esq., Law Office of Kenneth J. Murphy.
- Mike Norton, Esq., Alvarado Smith & Sanchez.
- Don Prochot, Franchise Development Manager, Jaguar Land Rover Western Region.

- Allen Resnick, Esq., Partner, Jeffer, Mangels, Butler & Marmaro LLP
- Maurice Sanchez, Esq., Partner, Alvarado Smith & Sanchez.
- Vito Scattaglia, Area Commander, Investigations Department of Motor Vehicles.
- Brady Schmidt, President, National Business Brokers.
- Lawrence Silver, Esq., Silver & Field
- Jason Stopnitzky, National Business Brokers.
- Peter K. Welch, President, California Motor Car Dealers Association.

Debra Kingsbury, Esq., Volkswagen of America, Inc. and Jonathan C. Corn, Esq., Vice President/General Counsel, National RV, Inc., were unable to attend.

The following specific topics were discussed:

Topic 1 – The Effect of Public Ownership on the Franchise System - Introduced by Jerry Heuer, President, Southern California District, Power an AutoNation Company, and Mark Iuppenlatz, Senior Vice President of Corporation Development, Sonic Automotive, Inc.

Publicly held dealership groups such as AutoNation, Lithia Motors, Sonic Automotive, and the Asbury Group, are becoming a major force in the way dealerships are owned and managed. What are the implications of this change for privately held dealerships and the consuming public? Are there inherent business advantages or disadvantages with publicly held dealerships? Are there implications for consumers? How are manufacturers affected by this trend?

Topic 2 – Dealer and Manufacturer Regulatory Issues with the Department of Motor Vehicles – Introduced by Vito Scattaglia, Investigations, Area Commander, Department of Motor Vehicles.

Vehicle dealers and manufacturers are licensed and regulated by the Department of Motor Vehicles. Consumer complaints often trigger investigations and may result in regulatory actions. What are some of the key problem areas that the DMV Investigations Division has identified in recent years? How has the Department dealt with violations of statutes and regulations by dealers and manufacturers in actual cases? Are there new areas of concern that are emerging?

Topic 3 – How Manufacturers Encourage and Reward Compliance with Franchise Requirements.

The dealer franchise system has proven to be a very effective method to market and service vehicles. In certain extreme cases, manufacturers may choose to terminate a franchisor that does not comply with franchise requirements, but this is uncommon. What strategies do manufacturers use to reward compliance with franchise requirements? And conversely, what strategies do manufacturers employ to encourage compliance with franchise requirements or manufacturer policies and programs when such compliance is lacking? What are the key factors that serve to enhance dealer/manufacture relations?

Topic 4 – Strategies and Considerations in Dealership Sales – Introduced by Brady Schmidt, President, National Business Brokers.

Dealership sales are a fact of life, and for a variety of reasons they can either be successful or fail. What are the key factors in successfully consummating a buy-sell

agreement? How do manufacturers evaluate a proposed buy-sell agreement? What is the role of brokers in facilitating successful buy-sell agreements? What market forces are key to the evaluation of dealerships? What is the impact of publicly held companies on dealership valuations?

Messrs. Flesh and Novi thanked the participants and attendees for their contributions. Mr. Flesh also thanked the staff, particularly Robin Parker, for their assistance in planning this event.

The Board acknowledged Frank Dunne's retirement from General Motors, and thanked him for his ongoing involvement with the Board.

4. **ADJOURNMENT**

With no further business to discuss, the meeting was adjourned at 3:15 p.m.

Submitted by

TOM NOVI
Executive Director

APPROVED: _____
Glenn E. Stevens
President
New Motor Vehicle Board